

103D CONGRESS
1ST SESSION

S. 478

To establish the Small Business Capital Enhancement Program to enhance the availability of financing for small business concerns.

IN THE SENATE OF THE UNITED STATES

MARCH 2 (legislative day, JANUARY 5), 1993

Mr. RIEGLE (for himself, Mr. LIEBERMAN, and Mr. DODD) introduced the following bill; which was read twice and referred to the Committee on Banking, Housing, and Urban Affairs

A BILL

To establish the Small Business Capital Enhancement Program to enhance the availability of financing for small business concerns.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Small Business Capital
5 Enhancement Act of 1993”.

6 **SEC. 2. FINDINGS AND PURPOSE.**

7 (a) FINDINGS.—The Congress finds that—

8 (1) small business concerns are a vital part of
9 the economy, accounting for the majority of new

1 jobs, new products, and new services created in the
2 United States;

3 (2) adequate access to debt capital is a critical
4 component for small business development, produc-
5 tivity, expansion, and success in the United States;

6 (3) commercial banks are the most important
7 suppliers of debt capital to small business concerns
8 in the United States;

9 (4) commercial banks and other depository in-
10 stitutions have various incentives to minimize their
11 risk in financing small business concerns;

12 (5) as a result of such incentives, many small
13 business concerns with economically sound financing
14 needs are unable to obtain access to needed debt
15 capital;

16 (6) the small business capital access programs
17 implemented by certain States are a flexible and effi-
18 cient tool to assist financial institutions in providing
19 access to needed debt capital for many small busi-
20 ness concerns in a manner consistent with safety
21 and soundness regulations;

22 (7) a small business capital access program
23 would complement other programs which assist
24 small business concerns in obtaining access to cap-
25 ital; and

1 (8) Federal policy can stimulate and accelerate
2 efforts by States to implement small business capital
3 access programs by providing an incentive to States,
4 while leaving the administration of such programs to
5 each participating State.

6 (b) PURPOSE.—The purposes of this Act are—

7 (1) to promote economic opportunity and
8 growth;

9 (2) to create jobs;

10 (3) to promote economic efficiency;

11 (4) to enhance productivity; and

12 (5) to spur innovation;

13 by encouraging States to implement efficient capital ac-
14 cess programs that encourage commercial banks and other
15 depository institutions to provide access to debt capital for
16 a broad portfolio of small business concerns, and thereby
17 promote a more efficient and effective debt market.

18 **SEC. 3. DEFINITIONS.**

19 For purposes of this Act—

20 (1) the term “Secretary” means the Secretary
21 of Housing and Urban Development;

22 (2) the term “appropriate Federal banking
23 agency”—

24 (A) has the same meaning as in section 3
25 of the Federal Deposit Insurance Act; and

1 (B) includes the National Credit Union
2 Administration Board in the case of any credit
3 union the deposits of which are insured in ac-
4 cordance with the Federal Credit Union Act;

5 (3) the term “early loan” means a loan enrolled
6 at a time when the aggregate dollar amount of pre-
7 viously enrolled loans covered under the Program by
8 a particular participating financial institution is less
9 than \$5,000,000;

10 (4) the term “enrolled loan” means a loan
11 made by a participating financial institution that is
12 enrolled by a participating State in accordance with
13 this Act;

14 (5) the term “financial institution” means any
15 federally or State-chartered commercial bank, sav-
16 ings association, mutual savings bank, or credit
17 union;

18 (6) the term “participating financial institu-
19 tion” means any financial institution that has en-
20 tered into a participation agreement with a partici-
21 pating State in accordance with section 5;

22 (7) the term “participating State” means any
23 State that has been approved for participation in the
24 Program in accordance with section 4;

1 (8) the term “passive real estate ownership”
2 means ownership of real estate for the purpose of
3 deriving income from speculation, trade, or rental,
4 except that such term shall not include—

5 (A) the ownership of that portion of real
6 estate being used or intended to be used for the
7 operation of the business of the owner of the
8 real estate (other than the business of passive
9 ownership of real estate); or

10 (B) the ownership of real estate for the
11 purpose of construction or renovation, until the
12 completion of the construction or renovation
13 phase;

14 (9) the term “Program” means the Small Busi-
15 ness Capital Enhancement Program established
16 under this Act;

17 (10) the term “reserve fund” means a fund, es-
18 tablished by a participating State, earmarked for a
19 particular participating financial institution, for the
20 purposes of—

21 (A) depositing all required premium
22 charges paid by the participating financial insti-
23 tution and by each borrower receiving a loan
24 under the Program from a participating finan-
25 cial institution;

1 (B) depositing contributions made by the
2 participating State; and

3 (C) covering losses on enrolled loans by
4 disbursing accumulated funds; and

5 (11) the term “State” means the States of the
6 United States and the District of Columbia.

7 **SEC. 4. APPROVING STATES FOR PARTICIPATION.**

8 (a) APPLICATION.—Any State may apply to the Sec-
9 retary for approval to be a participating State under the
10 Program and to be eligible for reimbursement by the
11 Secretary pursuant to section 8.

12 (b) APPROVAL CRITERIA.—The Secretary shall ap-
13 prove a State to be a participating State, if—

14 (1) a specific department or agency of the State
15 has been designated to implement the Program;

16 (2) all legal actions necessary to enable such
17 designated department or agency to implement the
18 Program have been accomplished;

19 (3) funds in the amount of at least \$1 for every
20 2 people residing in the State (as of the last decen-
21 nial census for which data have been released) are
22 available and have been legally committed to con-
23 tributions by the State to the reserve fund, with
24 such funds being available without time limit and
25 without requiring additional legal action, except that

1 such requirements shall not be construed to limit the
2 authority of the State to take action at a later time
3 that results in the termination of its obligation to
4 enroll loans and make contributions to the reserve
5 fund;

6 (4) the State has prescribed a form of partici-
7 pation agreement to be entered into between it and
8 each participating financial institution that is con-
9 sistent with the requirements and purposes of the
10 Program; and

11 (5) the State and the Secretary have executed
12 a reimbursement agreement that conforms to the
13 requirements of this Act.

14 (c) EXISTING STATE PROGRAMS.—

15 (1) IN GENERAL.—A State that is not a partici-
16 pating State, but that has its own capital access pro-
17 gram providing portfolio insurance for business
18 loans (based on a separate loss reserve fund for each
19 financial institution), may apply at any time to the
20 Secretary to be approved to be a participating State.
21 The Secretary shall approve such State to be a par-
22 ticipating State, and to be eligible for reimburse-
23 ments by the Secretary pursuant to section 8, if the
24 State—

1 (A) satisfies the requirements of subsection
2 (a); and

3 (B) certifies that each affected financial in-
4 stitution has satisfied the requirements of sec-
5 tion 5.

6 (2) APPLICABLE TERMS OF PARTICIPATION.—

7 (A) STATUS OF INSTITUTIONS.—If a State
8 is approved for participation under paragraph
9 (1), each financial institution with a participa-
10 tion agreement in effect with the participating
11 State shall immediately be considered a partici-
12 pating financial institution. Reimbursements
13 may be made under section 8 in connection
14 with all contributions made to the reserve fund
15 by the State in connection with lending that oc-
16 curs on or after the date on which the Sec-
17 retary approves the State for participation.

18 (B) EFFECTIVE DATE OF PARTICIPA-
19 TION.—If an amended participation agreement
20 that conforms with section 6 is required in
21 order to secure participation approval by the
22 Secretary, contributions subject to reimburse-
23 ment under section 8 shall include only those
24 contributions made to a reserve fund with re-
25 spect to loans enrolled on or after the date that

1 an amended participation agreement between
2 the participating State and the participating fi-
3 nancial institution becomes effective.

4 (C) USE OF ACCUMULATED RESERVE
5 FUNDS.—A State that is approved for partici-
6 pation in accordance with this subsection may
7 continue to implement the program utilizing the
8 reserve funds accumulated under the State pro-
9 gram.

10 (d) PRIOR APPROPRIATIONS REQUIREMENT.—The
11 Secretary shall not approve a State for participation in
12 the Program until at least \$50,000,000 has been appro-
13 priated to the Secretary (subject to an appropriations
14 Act), without fiscal year limitation, for the purpose of
15 making reimbursements pursuant to section 8.

16 (e) AMENDMENTS TO AGREEMENTS.—If a State that
17 has been approved to be a participating State wishes to
18 amend its form of participation agreement and continue
19 to be a participating State, such State shall submit such
20 amendment for review by the Secretary in accordance with
21 subsection (b)(4). Any such amendment shall become ef-
22 fective only after it has been approved by the Secretary.

23 **SEC. 5. PARTICIPATION AGREEMENTS.**

24 (a) IN GENERAL.—A participating State may enter
25 into a participation agreement with any financial institu-

1 tion determined by the participating State, after consulta-
2 tion with the appropriate Federal banking agency, to have
3 sufficient commercial lending experience and financial and
4 managerial capacity to participate in the Program. The
5 determination by the State shall not be reviewable by the
6 Secretary.

7 (b) PARTICIPATING FINANCIAL INSTITUTIONS.—
8 Upon entering into the participation agreement with the
9 participating State, the financial institution shall become
10 a participating financial institution eligible to enroll loans
11 under the Program.

12 **SEC. 6. TERMS OF PARTICIPATION AGREEMENTS.**

13 (a) IN GENERAL.—The participation agreement to be
14 entered into by a participating State and a participating
15 financial institution shall include all provisions required
16 by this section, and shall not include any provisions incon-
17 sistent with the provisions of this section.

18 (b) ESTABLISHMENT OF SEPARATE RESERVE
19 FUNDS.—A separate reserve fund shall be established by
20 the participating State for each participating financial in-
21 stitution. All funds credited to a reserve fund shall be the
22 exclusive property of the participating State. Each reserve
23 fund shall be an administrative account for the purposes
24 of—

1 (1) receiving all required premium charges to
2 be paid by the borrower and participating financial
3 institution and contributions by the participating
4 State; and

5 (2) disbursing funds, either to cover losses sus-
6 tained by the participating financial institution in
7 connection with loans made under the Program, or
8 as contemplated by subsections (d) and (r).

9 (c) INVESTMENT AUTHORITY.—Subject to applicable
10 State law, the participating State may invest funds held
11 in a reserve fund by establishing a deposit account at the
12 participating financial institution in the name of the par-
13 ticipating State. In the event that funds in the reserve
14 fund are not deposited in such an account, such funds
15 shall be invested in a form that the participating State
16 determines is safe and liquid.

17 (d) EARNED INCOME AND INTEREST.—Interest or in-
18 come earned on the funds credited to a reserve fund shall
19 be deemed to be part of the reserve fund, except that a
20 participating State may, as specified in the participation
21 agreement, provide authority for the participating State
22 to withdraw some or all of such interest or income earned.

23 (e) LOAN TERMS AND CONDITIONS.—

24 (1) IN GENERAL.—A loan to be filed for enroll-
25 ment under the Program may be made with such in-

1 terest rate, fees, and other terms and conditions as
2 agreed upon by the participating financial institution
3 and the borrower, consistent with applicable law.

4 (2) LINES OF CREDIT.—If a loan to be filed for
5 enrollment is in the form of a line of credit, the
6 amount of the loan shall be considered to be the
7 maximum amount that can be drawn by the bor-
8 rower against the line of credit.

9 (f) ENROLLMENT PROCESS.—

10 (1) FILING.—

11 (A) IN GENERAL.—A participating finan-
12 cial institution shall file for enrollment of each
13 loan made under the Program by completing
14 and submitting to the participating State a
15 form prescribed by the participating State.

16 (B) FORM.—The form referred to in sub-
17 paragraph (A) shall include a representation by
18 the participating financial institution that it has
19 complied with the participation agreement in
20 enrolling the loan with the State.

21 (C) PREMIUM CHARGES.—Accompanying
22 the completed form shall be the nonrefundable
23 premium charges paid by the borrower and the
24 participating financial institution, or evidence
25 that such premium charges have been deposited

1 into the deposit account containing the reserve
2 fund, if applicable.

3 (D) SUBMISSION.—The participation
4 agreement shall require that the items required
5 by this subsection shall be submitted to the par-
6 ticipating State by the participating financial
7 institutions not later than 10 calendar days
8 after a loan is made.

9 (2) ENROLLMENT BY STATE.—Upon receipt by
10 the participating State of the filing submitted in ac-
11 cordance with paragraph (1), the participating State
12 shall promptly enroll the loan and make a matching
13 contribution to the reserve fund in accordance with
14 subsection (j), unless the information submitted in-
15 dicates that the participating financial institution
16 has not complied with the participation agreement in
17 enrolling the loan.

18 (g) COVERAGE AMOUNT.—In filing a loan for enroll-
19 ment under the Program, the participating financial insti-
20 tution may specify an amount to be covered under the
21 Program that is less than the full amount of the loan.

22 (h) PREMIUM CHARGES.—

23 (1) MINIMUM AND MAXIMUM AMOUNTS.—The
24 premium charges payable to the reserve fund by the
25 borrower and the participating financial institution

1 shall be prescribed by the participating financial in-
2 stitution, within minimum and maximum limits set
3 forth in the participation agreement. The participa-
4 tion agreement shall establish minimum and maxi-
5 mum limits whereby the sum of the premium
6 charges paid in connection with a loan by the bor-
7 rower and the participating financial institution is
8 not less than 3 percent nor more than 7 percent of
9 the amount of the loan covered under the Program.

10 (2) ALLOCATION OF PREMIUM CHARGES.—The
11 participation agreement shall specify terms for allo-
12 cating premium charges between the borrower and
13 the participating financial institution. However, if
14 the participating financial institution is required to
15 pay any of the premium charges, the participation
16 agreement shall authorize the participating financial
17 institution to recover from the borrower the cost of
18 the participating financial institution's payment, in
19 any manner on which the participating financial
20 institution and the borrower agree.

21 (i) RESTRICTIONS.—

22 (1) ACTIONS PROHIBITED.—Except as provided
23 in subsection (h) and paragraph (2) of this sub-
24 section, the participating State may not—

1 (A) impose any restrictions or require-
2 ments, relating to the interest rate, fees, collat-
3 eral, or other business terms and conditions of
4 the loan; or

5 (B) condition enrollment of a loan in the
6 Program on the State's review of the risk or
7 creditworthiness of a loan.

8 (2) EFFECT ON OTHER LAW.—Nothing in this
9 Act shall affect the applicability of any other law to
10 the conduct by a participating financial institution
11 of its business.

12 (j) STATE CONTRIBUTIONS.—In enrolling a loan
13 under the Program, the participating State shall contrib-
14 ute to the reserve fund an amount, as provided for in the
15 participation agreement, which shall not be less than the
16 sum of the amount of premium charges paid by the
17 borrower and the participating financial institution.

18 (k) CLAIMS BY FINANCIAL INSTITUTIONS.—

19 (1) FILING.—If a participating financial insti-
20 tution charges off all or part of an enrolled loan,
21 such participating financial institution may file a
22 claim for reimbursement with the participating State
23 by submitting a form that—

24 (A) includes the participating financial in-
25 stitution's representation that it is filing the

1 claim in accordance with the terms of the appli-
2 cable participation agreement; and

3 (B) contains such other information as
4 may be required by the participating State.

5 (2) TIMING.—Any claim filed under paragraph
6 (1) shall be filed contemporaneously with the action
7 of the participating financial institution to charge
8 off all or part of an enrolled loan. The participating
9 financial institution shall determine when and how
10 much to charge off on an enrolled loan, in a manner
11 consistent with its usual method for making such de-
12 terminations on business loans that are not enrolled
13 loans under this Act.

14 (l) CLAIMS FOR OTHER EXPENSES.—A claim filed by
15 a participating financial institution may include the
16 amount of principal charged off, not to exceed the covered
17 amount of the loan. Such claim may also include accrued
18 interest and expenses, as provided for under the participa-
19 tion agreement.

20 (m) PAYMENT OF CLAIMS.—

21 (1) IN GENERAL.—Except as provided in sub-
22 section (n) and paragraph (2) of this subsection,
23 upon receipt of a claim filed in accordance with this
24 section and the participation agreement, the partici-
25 pating State shall promptly pay to the participating

1 financial institution, from funds in the reserve fund,
2 the full amount of the claim as submitted.

3 (2) INSUFFICIENT RESERVE FUNDS.—If there
4 are insufficient funds in the reserve fund to cover
5 the entire amount of a participating financial insti-
6 tution's claim, the participating State shall pay to
7 the participating financial institution an amount
8 equal to the current balance in the reserve fund. If
9 the enrolled loan for which the claim has been
10 filed—

11 (A) is not an early loan, such payment
12 shall be deemed to fully satisfy the claim, and
13 the participating financial institution shall have
14 no other or further right to receive any amount
15 from the reserve fund with respect to such
16 claim; or

17 (B) is an early loan, such partial payment
18 shall not be deemed to fully satisfy the partici-
19 pating financial institution's claim, and at such
20 time as the remaining balance of the claim does
21 not exceed 75 percent of the balance in the re-
22 serve fund, the participating State shall, upon
23 the request of the participating financial insti-
24 tution, pay any remaining amount of the claim.

1 (n) DENIAL OF CLAIMS.—A participating State may
2 deny a claim if a representation or warranty made by the
3 participating financial institution to the participating
4 State at the time that the loan was filed for enrollment
5 or at the time that the claim was submitted was known
6 by the participating financial institution to be false.

7 (o) SUBSEQUENT RECOVERY OF CLAIM AMOUNT.—
8 If, subsequent to payment of a claim by the participating
9 State, a participating financial institution recovers from
10 a borrower any amount for which payment of the claim
11 was made, the participating financial institution shall
12 promptly pay to the participating State for deposit into
13 the reserve fund the amount recovered, less any expenses
14 incurred by the institution in collection of such amount.

15 (p) PARTICIPATION AGREEMENT TERMS.—

16 (1) IN GENERAL.—In connection with the filing
17 of a loan for enrollment in the Program, the partici-
18 pation agreement—

19 (A) shall require the participating financial
20 institution to obtain an assurance from each
21 borrower that—

22 (i) the proceeds of the loan will be
23 used for a business purpose;

24 (ii) the loan will not be used to fi-
25 nance passive real estate ownership; and

1 (iii) the borrower is not—

2 (I) an executive officer, director,
3 or principal shareholder of the partici-
4 pating financial institution;

5 (II) a member of the immediate
6 family of an executive officer, director,
7 or principal shareholder of the partici-
8 pating financial institution; or

9 (III) a related interest of any
10 such executive officer, director, prin-
11 cipal shareholder, or member of the
12 immediate family;

13 (B) shall require the participating financial
14 institution to provide assurances to the partici-
15 pating State that the loan has not been made
16 in order to place under the protection of the
17 Program prior debt that is not covered under
18 the Program and that is or was owed by the
19 borrower to the participating financial institu-
20 tion or to an affiliate of the participating finan-
21 cial institution;

22 (C) may provide that if—

23 (i) a participating financial institution
24 makes a loan to a borrower that is a refi-
25 nancing of a loan previously made to the

1 borrower by the participating financial in-
2 stitution or an affiliate of the participating
3 financial institution;

4 (ii) such prior loan was not enrolled in
5 the Program; and

6 (iii) additional or new financing is ex-
7 tended by the participating financial insti-
8 tution as part of the refinancing,

9 the participating financial institution may file
10 the loan for enrollment, with the amount to be
11 covered under the Program not to exceed the
12 amount of any additional or new financing; and

13 (D) may include additional restrictions on
14 the eligibility of loans or borrowers that are not
15 inconsistent with the provisions and purposes of
16 this Act.

17 (2) DEFINITIONS.—For purposes of this sub-
18 section, the terms “executive officer”, “director”,
19 “principal shareholder”, “immediate family”, and
20 “related interest” refer to the same relationship to
21 a participating financial institution as the relation-
22 ship described in part 215 of title 12 of the Code
23 of Federal Regulations, or any successor to such
24 part.

1 (q) TERMINATION CLAUSE.—In each participation
2 agreement, the participating State shall reserve for itself
3 the ability to terminate its obligation to enroll loans under
4 the Program. Any such termination shall be prospective
5 only, and shall not apply to amounts of loans enrolled
6 under the Program prior to such termination.

7 (r) ALLOWABLE WITHDRAWALS FROM FUND.—The
8 participation agreement may provide that, if, for any con-
9 secutive period of not less than 24 months, the aggregate
10 outstanding balance of all enrolled loans for a participat-
11 ing financial institution is continually less than the out-
12 standing balance in the reserve fund for that participating
13 financial institution, the participating State, in its discre-
14 tion, may withdraw an amount from the reserve fund to
15 bring the balance in the reserve fund down to the out-
16 standing balance of all such enrolled loans.

17 **SEC. 7. REPORTS.**

18 (a) RESERVE FUNDS REPORT.—On or before the last
19 day of each calendar quarter, a participating State shall
20 submit to the Secretary a report relating to contributions
21 to reserve funds made by the participating State during
22 the previous quarter. If the participating State has made
23 contributions to one or more reserve funds during the
24 previous quarter, the report shall—

1 (1) indicate the total amount of such contribu-
2 tions;

3 (2) indicate the amount of contributions which
4 is subject to reimbursement, which shall be equal to
5 the total amount of contributions, unless one of the
6 limitations contained in section 8 is applicable;

7 (3) if one of the limitations in section 8 is ap-
8 plicable, provide documentation of the applicability
9 of such limitation for each loan for which the limita-
10 tion applies; and

11 (4) include a certification by the participating
12 State that—

13 (A) the information provided in accordance
14 with paragraphs (1), (2), and (3) is accurate;

15 (B) funds in an amount meeting the mini-
16 mum requirements of section 4(b)(3) continue
17 to be legally committed to the reserve funds,
18 less any amount that has been contributed by
19 the State to the reserve funds subsequent to the
20 State being approved for participation in the
21 Program;

22 (C) there has been no unapproved amend-
23 ment to any participation agreement or the
24 form of participation agreements; and

1 (D) the participating State is otherwise
2 implementing the Program in accordance with
3 this Act and regulations issued pursuant to
4 section 10.

5 (b) ANNUAL DATA.—Not later than March 31 of
6 each year, each participating State shall submit to the
7 Secretary data for the prior year indicating the number
8 of borrowers financed under the Program, the total
9 amount of covered loans, and breakdowns by industry
10 type, loan size, annual sales, and number of employees of
11 the borrowers financed.

12 (c) FORM.—The reports filed pursuant to subsections
13 (a) and (b) shall be in such form as the Secretary may
14 require.

15 **SEC. 8. REIMBURSEMENT BY THE SECRETARY.**

16 (a) REIMBURSEMENTS.—Not later than 30 calendar
17 days after receiving a report filed in compliance with sec-
18 tion 7, the Secretary shall reimburse the participating
19 State in an amount equal to 50 percent of the amount
20 of contributions by the participating State to the reserve
21 funds that are subject to reimbursement by the Secretary
22 pursuant to section 7 and this section. The Secretary shall
23 reimburse participating States, as it receives reports pur-
24 suant to section 7(a), until available funds are expended.

1 (b) SIZE OF ASSISTED BORROWER.—The Secretary
2 shall not provide any reimbursement to a participating
3 State with respect to an enrolled loan made to a borrower
4 that has 500 or more employees at the time that the loan
5 is enrolled in the Program.

6 (c) THREE-YEAR MAXIMUM.—The amount of reim-
7 bursement to be provided by the Secretary to a participat-
8 ing State over any 3-year period in connection with loans
9 made to any single borrower or any group of borrowers
10 among which a common enterprise exists shall not exceed
11 \$75,000. For purposes of this subsection, “common enter-
12 prise” shall have the same meaning as in part 32 of title
13 12 of the Code of Federal Regulations, or any successor
14 to that part.

15 (d) LOANS TOTALING LESS THAN \$2,000,000.—In
16 connection with a loan in which the covered amount of
17 the loan plus the covered amount of all previous loans en-
18 rolled by a participating financial institution does not ex-
19 ceed \$2,000,000, the amount of reimbursement by the
20 Secretary to the participating State shall not exceed the
21 lesser of—

22 (1) 75 percent of the sum of the premium
23 charges paid to the reserve fund by the borrower
24 and the participating financial institution; or

1 (2) 5.25 percent of the covered amount of the
2 loan.

3 (e) LOANS TOTALING MORE THAN \$2,000,000.—In
4 connection with a loan in which the sum of the covered
5 amounts of all previous loans enrolled by the participating
6 financial institution in the Program equals or exceeds
7 \$2,000,000, the amount of reimbursement to be provided
8 by the Secretary to the participating State shall not exceed
9 the lesser of—

10 (1) 50 percent of the sum of the premium
11 charges paid by the borrower and the participating
12 financial institution; or

13 (2) 3.5 percent of the covered amount of the
14 loan.

15 (f) OTHER AMOUNTS.—In connection with the enroll-
16 ment of a loan that will cause the aggregate amount of
17 all enrolled loans to exceed \$2,000,000, the amount of re-
18 imbursement by the Secretary to the participating State
19 shall be determined—

20 (1) by applying subsection (d) to the portion of
21 the loan, which when added to the amount of all pre-
22 viously enrolled loans equals \$2,000,000; and

23 (2) by applying subsection (e) to the balance of
24 the loan.

1 **SEC. 9. REIMBURSEMENT TO THE SECRETARY.**

2 (a) IN GENERAL.—If a participating State withdraws
3 funds from a reserve fund pursuant to terms of the par-
4 ticipation agreement permitted by subsection (d) or (r) of
5 section 6, such participating State shall, not later than
6 15 calendar days after such withdrawal, submit to the Sec-
7 retary an amount computed by multiplying the amount
8 withdrawn by the appropriate factor, as determined under
9 subsection (b).

10 (b) FACTOR.—The appropriate factor shall be ob-
11 tained by dividing the total amount of contributions that
12 have been made by the participating State to all reserve
13 funds which were subject to reimbursement—

14 (1) by 2; and

15 (2) by the total amount of contributions made
16 by the participating State to all reserve funds, in-
17 cluding if applicable, contributions that have been
18 made by the State prior to becoming a participating
19 State if the State continued its own capital access
20 program in accordance with section 4(b).

21 **SEC. 10. REGULATIONS.**

22 The Secretary shall promulgate appropriate regula-
23 tions to implement this Act.

24 **SEC. 11. AUTHORIZATION OF APPROPRIATIONS.**

25 There are authorized to be appropriated to the Sec-
26 retary \$50,000,000 to carry out this Act.



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